Drug Utilization Boosting Nation's Health Tab

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WASHINGTON — The nation spent $2 trillion, or $7,000 per person, on health care in 2006. While that was only a small increase from the previous year, America's prescription drug tab increased by 8.5%, fueled largely by the new Medicare Part D drug benefit.

Health spending as a share of the nation's gross domestic product continues to rise, hitting 16% in 2006.

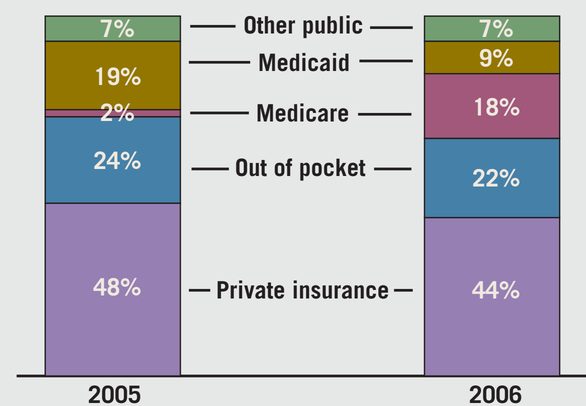
Total spending on physician and clinical services grew 5.9% to $448 billion, which was the slowest rate of growth since 1999. Physician pay crawled almost to a halt, largely because of the freeze in Medicare's reimbursement rates in 2006. Private insurers seemed to have followed suit, said Cathy Cowan, an economist at the Centers for Medicare and Medicaid Services. Cowan, a coauthor of an annual analysis of the nation's health spending, spoke at a briefing on the report, which was published in the January/February issue of Health Affairs.

Spending on nursing home and home health declined from the previous year's growth. Nursing home prices dropped; spending still grew 3.5% in 2006, but that was less than the almost 5% increase in 2005. Home health services—the fastest growing component of personal health spending—grew almost 10% in 2006, down from a 12% increase in 2005.

Medicare had the fastest rate of growth since 1981, according to the report. Spending increased 19% in 2006 to $401 billion, driven largely by the prescription drug benefit and the cost of administration for that benefit and for Medicare Advantage, a managed care program.

Medicaid spending dropped for the first time since the program began in 1965. The 0.9% decrease was largely due to a large number of Medicaid enrollees shifted into Medicare for their prescription drugs.

Overall drug spending grew 8.5% in 2006—a far cry from the double-digit increases seen in the late 1990s, but still an increase from the 5.8% rise in spending in 2005. Half of the 2006 increase was due to greater utilization, not surprising given that about 23 million Medicare beneficiaries took advantage of the new benefit. Prescription prices increased by only a little over 3%, according to an annual analysis by actuaries at the Centers for Medicare and Medicaid Services.



Note: Based on data from the Centers for Medicare and Medicaid Services.
Source: Health Affairs

The change in the drug rebate picture also contributed to rising drug costs. Under Medicaid, states received an average 30% rebate from drugmakers. Medicare, however, got only about 5% from manufacturers for the millions of beneficiaries who shifted out of Medicaid.

Medicare spent $41 billion on Part D in 2006, with $35 billion for drug purchases and $6 billion for administration and "net cost of insurance"—that is, the cost of subsidizing premiums for low-income beneficiaries and costs for transferring beneficiaries into private plans. Medicare paid for 18% of all retail drugs, compared with only 2% in 2005. Medicare took on costs that were previously covered by private insurers, Medicaid, and the uninsured. On average, each Part D enrollee received $1,700 in benefits, according to CMS.

The largest increase in drug utilization came from beneficiaries using the Part D benefit. But there was also increased drug use due to new indications for existing drugs, growth in several therapeutic classes, and rising use of specialty drugs such as injectable biologics for rheumatoid arthritis and multiple sclerosis, and anemia drugs for oncology. Hypnotics saw the largest rise in use of any drug class.

The rising availability of generic drugs—and programs designed to encourage use of generics, such as smaller copays for that category—also drove an increase in pharmaceutical utilization. A $4 generic program offered by Wal-Mart contributed to that trend and also helped keep prices down, according to the CMS authors. Of drugs dispensed in the United States in 2006, 63% were generic, according to the report.

Overall, the CMS analysis shows that the largest category of health spending is still hospital care, which consumes 31% of the nation's health dollars. Other spending, which includes dental, home health, durable medical equipment, over-the-counter medications, public health, research, and capital equipment, consumes 25% of the health dollar. Physician and clinical services follow at 21%, then prescription drugs at 10%, administration at 7%, and nursing home care at 6%.

The authors said the data they had at hand and their analysis did not allow them to determine whether the prescription drug benefit had increased or lowered overall health care spending. "Sooner or later, somebody's going to do a dynamite study and figure this out," said Richard Foster, the chief actuary at CMS.

Mr. Foster told reporters that the study showed that the "overall cost of prescription drugs has changed very little as a result of Part D." A study by Consumers Union, however, seemed to refute that claim. (See box at left.) ■

Drug Prices Up, Consumers Union Says

Government economists have concluded that the Medicare Part D prescription drug benefit did not affect the price of pharmaceuticals in 2006, the program's first full year, but Consumers Union has issued another in a series of studies charging that drug prices are indeed rising under the program.

Each month since December 2005, the consumer advocacy group has tracked the prices of five drugs commonly used by Medicare beneficiaries in a single ZIP code in each of five states—California, Florida, Illinois, New York, and Texas. The data are taken directly from Medicare.gov. According to Consumers Union, the data show that the majority of private insurers have consistently raised prices, sometimes at two to three times the rate of inflation.

Medicare beneficiaries might be bearing the brunt of price increases, especially because they usually are liable for a percentage of the drug's price as a copayment. "We're seeing a lot of inflation," said Consumers Union Senior Policy Analyst Bill Vaughan in an interview.

The group also found that prices generally rise the most from December to January—after a beneficiary has locked into a plan for the upcoming year. The average increase for the five drugs as a package (Lipitor, Celebrex, Zoloft, nifedipine ER, and Altace) was $369 from December 2007 to January 2008, according to Consumers Union.

"Most of these Medicare drug plans are increasing costs [at] double or triple the rate of inflation, which really torpedoes the insurance industry's claim that they are getting the best deal for seniors," said Mr. Vaughan. "These continual price hikes are Exhibit A for Congress to give renewed attention to negotiating drug prices on behalf of America's taxpayers and seniors, and offering the option of a Medicare-run drug benefit."

Congress Urged to Increase Reimbursement for DXA Scans

BY JOYCE FRIEDEN
Senior Editor

Endocrinologists are urging members of Congress to stop a potential Medicare payment cut for dual-energy x-ray absorptiometry exams.

Members of the American Association of Clinical Endocrinologists (AACE) are "very concerned" about the pending cut, said Dr. Jonathan Leffert, chairman of AACE's legislative and regulatory committee. "We think it will cause significant access problems for people who have osteoporosis."

The current Medicare payment rate for a DXA scan is about $80, Dr. Leffert said, noting that a survey from the Lewin Group put break-even reimbursement for a DXA scan at $139. "If the cuts are continued [as planned], by 2010, Medicare will pay $50 for DXA," he said. "At $80 we're losing money, and at $50, it's untenable."

Dr. Leffert said he already had heard from one New York physician who sold the two DXA machines he had in his office because he was losing too much money on the procedure. And Dr. Leffert said he recently had a patient who lived in a rural area try to get a DXA scan from a mobile unit that she had used in years past, only to find that it had gone out of business.

A DXA scan is one of the items included in the "Welcome to Medicare" physical exam, but many endocrinologists can't afford to provide the test because of the low reimbursement, Dr. Leffert said. He added that Medicare also does not allow physicians to bill the balance to patients to make up the difference between what they charge and what Medicare will pay.

The low DXA reimbursement "will have a significant effect in the long term because of [increased] fractures and the morbidity and mortality associated with that," said Dr. Leffert, who is also in private practice in Dallas. "About 20%-25% of people who have hip fractures, for example, will die within a year due to related complications."

The 18 AACE members who participated in the association's annual Capitol Hill lobbying event were seeking support for H.R. 4206, the Medicare Fracture Prevention and Osteoporosis Testing Act of 2007. The bill, sponsored by Rep. Shelley Berkley (D-Nev.), would establish a national minimum payment amount for DXA as well as for vertebral fracture assessment, and would set the minimum payment amount at no less than 100% of the reimbursement rates in effect for those codes at the end of 2006 (about $140 in the case of DXA). It also would require the Institute of Medicine to report on the effects of DXA reimbursement cuts.

So far, the bill has 55 cosponsors, Dr. Leffert noted, adding that a Senate companion bill is in the works. The AACE delegation also sought support for H.R. 1293, sponsored by Rep. Carolyn McCarthy (D-N.Y.). That bill would put a 2-year moratorium on payment cuts for certain advanced diagnostic imaging procedures. ■